

Montreux Natural Resources Fund January 2023 Update

Dear Investor

As you are aware, the Montreux Natural Resources Fund (“the Fund”) continues to be suspended. The Board wishes to provide an update in order to assure investors that work on the liquidation of the Fund continues and the repayment of loans continues to be pursued with a significant proportion having been repaid and distributed to investors during 2022. The Board will continue to seek to identify opportunities to realise all of the assets of the Fund as soon as possible such that all recovered assets will be distributed to investors and the Fund placed into liquidation. This process is taking longer than anticipated but remains the primary focus of the Board.

In order to achieve the final liquidation of the Fund, both projects needed to continue to be funded and achieve production and be refinanced.

All loans associated with the Guinea project have been refinanced and the proceeds fully repaid to the Fund and the proceeds distributed to investors.

Once the Tanzanian project achieves production it should be possible to refinance this project such that the remaining loan can be repaid and the proceeds can be distributed to investors.

An update on the project is as follows:

Tanzania

When the Fund originally invested in the Tanzanian project it did so by purchasing 100% of the shares in a Seychelles holding company, Twin Oaks, and advanced \$4.3m to Twin Oaks to fund the initial project.

Due to the Fund being unable to raise additional subscriptions, it disposed of its interests in Twin Oaks and the Tanzania gold project to Aurum (Holdings) IOM Ltd (“Aurum”), a company related to the former Investment Manager (“IM”). The amount paid by Aurum represented the market value of the shares at the time plus a premium of \$12.4m recognising that investors had carried the initial risk involved in the project. The premium is conditional on the project achieving production.

During the interim period the project has continued to require funding to achieve production and to date an amount in excess of \$15m has been committed, by companies related to the former IM, to the project and additional funding will be committed as necessary. In reality it is unlikely that production will be achieved in the short to medium term as a new drilling project will be required to be carried out and funded in the interim.

Despite the volatility in the financial markets the Board remains confident that Twin Oaks will be in a position to refinance the current loan and repay the full amount outstanding to the Fund. However, this is proving more difficult than had been previously anticipated and therefore it is likely that repayment will take place in Q2, 2023 at which point an additional distribution will be made to investors.

The Board will continue to focus on having the outstanding loan repaid and will monitor progress being made in the Tanzanian project with a view to recovering the premium included in the disposal of the Fund shares in Twin Oaks to Aurum. However, achieving production in Tanzania is driven largely by the political situation in the country which continues to be difficult for overseas companies and also through the results of a newly commissioned drilling program which could take up to two years to complete.

Montreux Natural Resources Fund
Registered in the Cayman Islands
Company Registration No: AP-275452

Registered Office: Suntera (Cayman) Limited,
P.O. Box 1586, Suite 3204, Unit 2A, Block 3,
Building D, Gardenia Ct., 49 Market Street,
Camana Bay, Grand Cayman, KY1-1110,
Cayman Islands

Directors: B Monks, C Rooney

Investment in the Fund was accepted solely on the basis of the information set out in its offering document. The Fund is currently in suspension therefore; further subscriptions are no longer being accepted. The price of any security may move up or down. If it moves down losses can be incurred, which in some circumstances may extend to the full amount of the investment. Past performance is not necessarily a guide to future performance.

Montreux Natural Resources Fund

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Distributions

As investors are aware, a number of distributions from this Fund were made during 2022 and it is the intention of the Fund to continue to crystallise assets as soon as is realistically possible and to make immediate distributions to investors. To date distributions representing in excess of 30% of the indicative NAV have been made to investors and this process will continue in 2023.

Investors should be aware that as distributions are made the indicative NAV per unit will decrease by the distributed amount.

Cancellation of custody agreement

In order to reduce costs to the Fund the Directors terminated the Fund agreement with its custodian. As the only assets remaining in the Fund were loans, it was deemed no longer necessary for a custodian.

Change to the holder of the Fund's Voting shares

Please note that the voting shares of the Fund have been transferred from the previous IM to Aurum on the 12 December 2022.

Conclusion

While the Directors are disappointed in the delays in refinancing the Tanzanian project, they wish to assure investors that the refinancing process will continue until the outstanding loan has been achieved and the proceeds distributed to investors.

However, it should be noted that the premium included in the sale of its interest in Twin Oaks by the Fund was dependent on the project achieving production which seems unlikely in the short to medium term.

Ultimately the actions of the Directors have been to seek to reduce the market exposure of the Fund to the underlying projects and replace it with pure credit exposure. This quantifies the assets available to investors with a higher level of certainty of recovery.

It is also the intention of the Directors to continue to have the Fund audited to ensure investors can take comfort from an independent assessment of the assets of the Fund. The audited financial statements for the year-ending 31 March 2021 have been completed and are going through a final review process by the auditors. They should be available to investors shortly and the 2022 audit will commence immediately following distribution of the 2021 accounts.

The Directors are committed to keeping investors apprised of the ongoing position and endeavour to continue to make distributions as soon as is practicable.

Indicative NAVs as at 31 December 2022 are as follows:

Class A USD	114.3226
Class G Euro	29.0153
Class G GBP	40.8234
Class G USD	48.3087

On behalf of the Board

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